



Radyr & Morganstown Community Council

Cyngor Cymuned Radur a Threforgan

Report

Agenda Item 9

Meeting: Finance Committee
Date: 3 November 2022
Report Author: Clerk to the Council

Review of Internal Audit and Audit Plan

Introduction

1. The Council is required to carry out an annual review of the effectiveness of its system of internal control. This report sets out that review.

Background

2. It is the Council's responsibility to undertake this review rather than the external auditor. Neither can it be delegated to the Clerk or the internal auditor.
3. Details of the review are enclosed for members' consideration.
4. Although it would be appropriate for the Finance Committee to carry out the review, a full meeting of the Council should receive and consider the results, because of the link to the Council's Annual Governance Statement.

Key Issues

5. The Council is required to annually review the effectiveness of its system of internal control.
6. The review feeds into the Annual Governance Statement. It should be completed first, rather than left to the year-end.
7. The Council has confirmed that BPU Chartered Accountants will act as the Council's independent Internal Auditors for the ensuing year.
8. The work of internal audit has been the subject to an engagement letter on appointment.

9. Current external audit arrangements are designed to meet statutory responsibilities while providing a sufficient level of audit assurance at a reasonable cost to individual councils.

Scope of the Review & Evidence

10. This Review has been undertaken using guidance produced by One Voice Wales and SLCC.

11. Evidence used to support the review included:

- Previous audit reports.
- Scope of the audit arrangements
- Dialogue with internal auditor to plan the audit.
- Internal audit annual report.
- Annual Return
- Information on audit arrangements as described above.
- Other feedback and observations provided in-year by internal audit and members in relation to the council's internal control environment.

Outcome

12. The review indicates that the Council's internal control environment is sound and effective. Remote working and compliance with emerging legislation maintained this environment in the light of restrictions associated with Covid-19 and new requirements about the way the Council conducts its business.
13. There are clear and established reporting lines between internal audit, the Clerk as RFO and members. Members play a lead role in preserving and monitoring the internal control environment. Documentation exists to support the conclusions reached by the review.
14. The report of the Council's internal auditor in relation to the 2021/22 Accounts confirmed a satisfactory system of internal control. The report of the external auditor is awaited. No issues were raised by the external auditor in relation to 2020/21.
15. This review has been the subject of consultation with the Council's internal auditor.

Financial Implications

16. The auditor has been appointed on terms approved by the Council. (Minute RMCC/11 refers)

Links to Corporate Objectives

17. The preservation of a sound internal control environment will help the Council operate effectively and work towards its corporate objectives. See also links to Risk Management Implications below.

Staffing Implications

18. The Internal Auditor is engaged by the Council but is not an employee of the Council. Council staff (and the Council's external accountant) support the audit process.

Risk Management Implications

19. Sound audit arrangements are central to the Council's overall risk management strategy, helping to reassure the Council and the public. They are critical to all aspects of the strategic and operational work of the Council.

Legal Implications

20. The Council is required to appoint an Internal Auditor who can undertake a review of the Council's systems and internal controls and audit the final accounts. The Council's financial operations and the work required by the Internal Auditor is controlled by the Accounts and Audit (Wales) Regulations 2014 (as amended).

Recommendation

21. It is recommended that the Council approves the enclosed Annual Review of Internal Audit and Audit Plan and the actions identified.

Annual Internal Audit Review

Checklist 1: Meeting the Standards

| | Evidence of achievement | Yes/No | Notes/ Areas for Development |
|----------------------------|---|--------|--|
| 1. Scope of Internal audit | This is set out above and follows appropriate Guidance. | Yes | |
| | Internal audit work takes into account both the council's risk assessment and wider internal control arrangements. | Yes | |
| | Internal audit work covers the council's antifraud and corruption arrangements. | Yes | |
| 2. Scope/ Independence | Internal audit has direct access to those charged with governance | Yes | |
| | Reports are made in own name to management. | Yes | |
| | Internal audit does not have any other role within the council. | Yes | |
| | The Internal Auditor is able to carry out the audit without undue influence or conflict of interest. | Yes | |
| 3..Competence | There is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity. | Yes | |
| | The Internal Auditor has the ability and experience to undertake the work. | Yes | |
| 4. Relationships | The Council has approved an Audit Plan. | Yes | |
| | The Clerk and Responsible Financial Officer (RFO) are consulted on the internal audit plan | | |
| | Respective responsibilities for officers and internal audit are clearly understood in relation to internal control, risk management and fraud and corruption matters. | Yes | |
| | The responsibilities of council members are understood; training of members is carried out as necessary. | Yes | |
| 5. Planning and reporting | The annual internal audit plan properly takes account of all the risks facing the council and has been approved by the | Yes | The Audit Plan is attached. Audit observations are |

council. The plan is effective and confirms reporting procedures.

reported to members in accordance with the Plan. A Risk Register has been approved and is kept under review.

Checklist 2: Characteristics of Effectiveness

| | Evidence of achievement | Yes/No | Notes/ Areas for Development |
|---|---|--------|------------------------------|
| 1. Internal audit work is planned | Planned internal audit work is based on risk assessment and designed to meet the council's needs. | | |
| 2. Understanding the whole organisation its needs and objectives | The annual audit plan demonstrates how audit work will provide assurance for the council's Annual Governance Statement. | | |
| 3. Be seen as a catalyst for change. | Internal audit supports the council's work in delivering improved services to the community | | |
| 4. Add value and assist the organisation in achieving its objectives. | The council makes positive responses to internal audit's recommendations and follows up with action where this is called for. | | |
| 5. Be forward looking. | In formulating the annual audit plan, national agenda changes are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance | | |
| 6. Be challenging | Internal audit focuses on the risks facing the council. Internal audit encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. | | |
| 7. Ensure the right resources are available | Adequate resource is made available for internal audit to complete its work. Internal audit understands the council and the legal and corporate framework in which it operates | | |

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Audit Plan

This Audit Plan outlines the key milestones in the Council's internal and audit processes. All dates are approximate.

The Council's Internal Auditor is appointed each year at Annual Council. The present auditors are BPU Chartered Accountants (Minute RMCC22/11)

The External Auditors are Audit Wales.

| | Internal Audit | External Audit |
|--------------------------|--|---|
| Date to be agreed | Auditor visits or examines documents to review the Council's system for internal financial control. Systems to check include: <ul style="list-style-type: none"> • Books of accounts. • Financial Regulations, payments supported by invoices, expenditure approved, VAT properly accounted for. • Risk Assessment. • Precept and budgetary processes. Appropriateness of Reserves. • Expected income was received, VAT properly accounted for. • Petty Cash. • Salaries. • Asset Registers. • Bank Reconciliations. • Preparation of accounting statements. • Trust Funds (if any) | |
| April/May | Closure of Accounts at year end | |
| April/May | On site work to undertake audit of accounts and approve Annual Return | |
| By 30 June | Report Audit Findings & Recommendations to Council | By 30 June (and prior to the external audit) • RFO to sign & date certificate (p1) • Internal Audit to sign & |

| | | |
|----------------------------------|--|---|
| | | date. • Annual Review to be presented to Council, Chair & clerk to sign. • Copy of Annual Review to Audit Wales. Note, the Council is also required to provide electors with opportunities to inspect documentation |
| July/August (provisional) | | Audit Wales undertakes audit work and report any matters arising from audit. The Clerk will liaise to address and enquiries arising during the audit. |
| September | | Following the audit the Annual Return should be presented to the Council and a minute should be made to show that the Annual Return has been approved and accepted by the Council. The Issues Arising report should also be presented to the Council and an Action Plan produced, if required. Notice of conclusion of the audit must be displayed by 30 September. The Council will publish its accounting statements and auditor's certificate (if received). |

Further information about the audit process and the roles of internal & external auditors is contained in Governance and Accountability for Local Councils in Wales – A Practitioners Guide (2019 Edition) published by One Voice Wales and the Society of Local Council Clerks. This Guide has informed this review